EQUITY RESEARCH

Crane Company

NYSE: CR

Mission-critical industrial components positioned at the intersection of aerospace, defense, nuclear, and cryogenic growth.

BUY
25% Upside
Price Target: $214
Current Price: $171
Dividend Yield: 0.60%

$9.84B	**$2.31B**	**21.5%**	**$176**
Market Cap	FY2025 Revenue	EBITDA Margin	DCF Fair Value

Three Irreplaceable Moats Make CR a Decade-Long Compounding Machine

01

Sole-Source Lock-In

CR holds sole-source positions on the Boeing 737, Airbus A320, and Lockheed F-35 brake control systems. Re-certification costs competitors years and tens of millions where competitors simply cannot bid. This is not a market-share fight; it is regulatory capture.

02

40% Aftermarket Annuity

40% of revenue is aftermarket parts & services — replacement sales on certified components over 20-40 year aircraft/plant lifespans. This stream is recession-resistant, margin-accretive (~30% vs. ~20% for OEM), and compounds with every new platform win.

03

Defense + Nuclear Secular Tailwind

Missile defense (PAC-3, LTAMDS), nuclear revival (SMRs, Palisades restart), and cryogenic hydrogen infrastructure represent $1B+ addressable market expansions over the next decade — all areas where CR has near-monopolistic component positioning.

Two High-Margin Segments Share One Structural Advantage: Customers Can't Leave

Aerospace & Advanced Technologies (AAT)

$1.05B revenue · 25.0% operating margin · ~45% of revenue · ~70% OEM

- Brake control systems (sole-source on B737, A320, F-35, Embraer E2)
- Druck pressure sensing — quartz technology embedded in MIL-SPEC contracts
- Power conversion, microwave/RF, lubrication for commercial + military OEMs

Process Flow Technologies (PFT)

$1.26B revenue · 21.0% operating margin · ~55% of revenue · ~50% OEM

- Industrial valves, pumps, and fittings for chemical, pharma, water, and power
- Cryogenic systems (LNG/hydrogen) — CryoWorks & Technifab acquisitions
- Nuclear instrumentation (Reuter-Stokes) — radiation monitoring, AP1000, SMRs

REVENUE MIX — OEM vs. AFTERMARKET

Original Equipment Manufacturer (OEM) — 60% (seeds aftermarket for 20-40 yrs)	Aftermarket — 40% (~30% margin)

Plain-English moat: CR sells components where failure means a crashed plane or contaminated drug batch. Re-qualifying a competitor takes years and costs more than any price discount could recover — customers are effectively locked in for 20-40 yrs, providing a steady stream of aftermarket and maintenance revenue.

CR Operates at Four Secular Tailwinds That Were Structural Before the Bull Market

Commercial Aerospace Recovery

B737/A320 production ramp: Boeing targeting 38/month by 2025, 50+ by 2027. Embraer E2 gaining share. COMAC C919 certified. Each new delivery adds 20+ yrs of CR aftermarket revenue.

Defense Modernization Surge

PAC-3, LTAMDS, ground radar, F-16 modernization all funded. U.S. defense budget $886B+ in FY2025. NATO allies rebuilding. CR's microwave/power segment addressable market growing 2-5x.

Nuclear Power Renaissance

Holtec Palisades restart, AP1000 new builds in Georgia, 10+ SMR projects in planning. Reuter-Stokes (CR) is the gold standard in nuclear radiation monitoring — near-monopoly positioning.

Cryogenics & Clean Energy

LNG buildout ($150B+ infrastructure), green hydrogen ambitions (DOE $8B target), liquid air energy storage. CR's CryoWorks/Technifab acquisitions provide turnkey cryogenic system capabilities.

COMPETITIVE MOAT vs. TOP PEERS

- Dover (DOV) — lacks CR’s deep focus on sole-sourced, flight-critical systems and high-barrier nuclear certifications
- Griffon (GFF) — focused on consumer and construction markets, without CR’s high-stakes engineering or long-term regulatory lock-in.
- ITT Inc. (ITT) — overlaps in aerospace friction + flow control; closest true comp

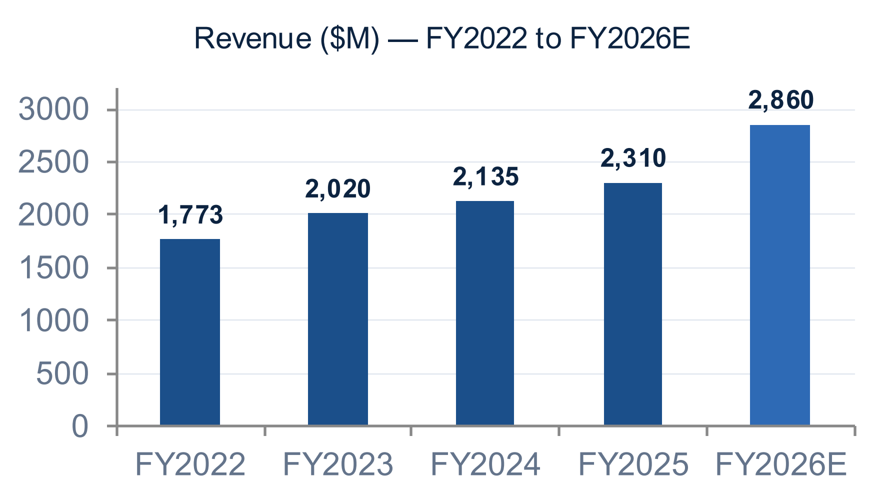
FY2025 Delivered on All Fronts — Q1 2026 Beat Raises the Floor

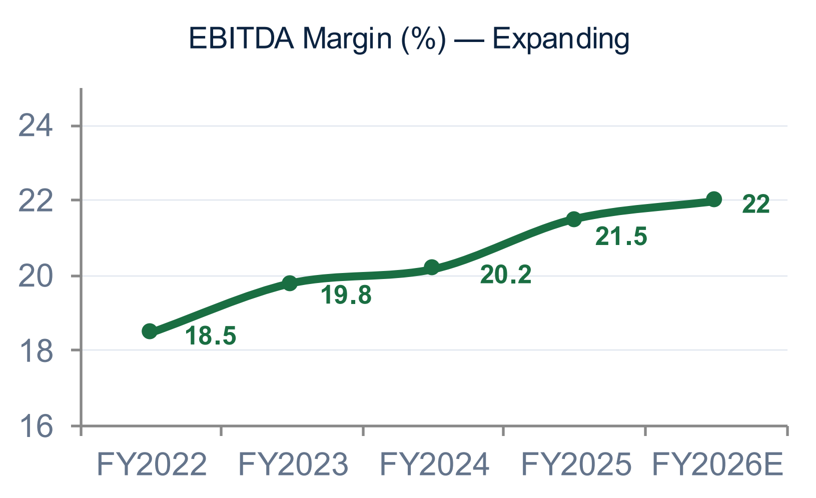
$2.31B
FY2025 Revenue
+8.2% YoY organic

21.5%
EBITDA Margin (adj)
AAT at 25%, PFT 21%

$696M
Q1 2026 Revenue
+24.9% YoY — beat est.

$6.75
FY2026E EPS (mid)
Guidance raised Jan→Apr





CR Trades at a Premium — But the Premium Is Partially Justified by Superior FCF Quality

Ticker	P/E TTM	Fwd P/E	EV/EBITDA	P/S TTM	Gross Mgn	Rev Gr.	ROIC	Int. Cov.
CR ★	27.0×	25.5×	**26.1×**	4.28×	**42.1%**	**+8.2%**	12.4%	9.0×
DOV	23.8×	18.5×	15.6×	3.21×	39.8%	+4.5%	8.8%	40.8×
ITT	**16.4×**	**14.9×**	**18.1×**	**1.97×**	35.4%	+8.5%	11.7%	12.7×
CW	**57.1×**	**49.3×**	**33.3×**	**7.74×**	37.5%	+12.0%	15.5%	18.0×
GFF	**11.5×**	**11.5×**	**10.0×**	**1.19×**	42.0%	−3.9%	15.0%	5.1×
IR	43.7×	22.8×	20.0×	4.14×	43.8%	+5.8%	6.5%	8.2×
Peer Median	**28.5×**	**21.6×**	**18.5×**	**4.11×**	**39.9%**	**+6.8%**	**11.4%**	**13.3×**

Takeaway: CR's 26.1× EV/EBITDA is a 41% premium to the 18.5× peer median — warranted by best-in-class gross margin, superior aftermarket mix, and defense/nuclear catalysts not yet in peers' numbers. Value/Growth Score 0.50 — best in group.

DCF Triangulates $126–$232 Range — Base Case $176 Confirms Fair Pricing at $171

BEAR

Conservative

$126

vs. current $171 −26%

WACC:	9.5%
Terminal Growth:	2.5%
2030E Revenue:	$3,133M by 2030
2030E Margin:	21.0% EBITDA by 2030
2030E FCF:	$480M by 2030

BASE

Balanced

$176

vs. current $171 +3%

WACC:	8.5%
Terminal Growth:	3.0%
2030E Revenue:	$3,820M by 2030
2030E Margin:	23.0% EBITDA by 2030
2030E FCF:	$704M by 2030

BULL

Optimistic

$232

vs. current $171 +37%

WACC:	8.0%
Terminal Growth:	3.5%
2030E Revenue:	$4,478M by 2030
2030E Margin:	24.0% EBITDA by 2030
2030E FCF:	$881M by 2030

SENSITIVITY: FAIR VALUE ($/SH) · Base FCF stream · WACC (rows) × Terminal Growth Rate (columns)

WACC \ TGR	2.0%	2.5%	3.0%	3.5%	4.0%
7.5%	$196	$216	$242	$278	$330
8.0%	$171	$186	$206	$232	$268
8.5%	$150	$162	$176	$196	$221
9.0%	$133	$143	$154	$169	$188
9.5%	$118	$126	$135	$147	$162

Six Funded, Identified Catalysts Drive Revenue Acceleration Through 2028

1 F-16 Brake Control Ramp

Timeline: 2026 (Live)

Production underway. $30M+ annual run-rate, accelerating to full rate Q2 2026 after flight-test delay resolved. Decade-long military aftermarket program ahead.

2 Missile Defense 2–5× Growth

Timeline: 2026–2030

PAC-3, LTAMDS, ground radar programs funded. CR's microwave/modular power ($30-40M today) targeted at 2-5× by 2030 per management guidance on Q1 2026 call.

3 PSI Acquisition Synergies

Timeline: 2027 Full Run-Rate

Druck, Panametrics, Reuter-Stokes, Optek closed Jan 2026. Already slightly EPS-accretive Year 1 (beat plan). Full synergy of $390M incremental revenue loads 2027+.

4 Nuclear Power Revival

Timeline: 2026–2030

Reuter-Stokes contracts active on Palisades restart, AP1000 new builds, 10+ SMR projects. CR near-monopoly in radiation monitoring. Decade-long visible revenue.

5 Cryogenics / H_2 Build-Out

Timeline: 2026–2028

LNG infrastructure ($150B+) and hydrogen ambitions. CryoWorks/Technifab provide turnkey systems. PFT cryogenics orders cited strongest Q1 2026 segment.

6 Commercial Aero Rate Ramp

Timeline: 2025–2028

Boeing targeting 50+/month by 2027, Airbus A320 at 75/month. Each delivery adds 20-40 yrs CR aftermarket. COMAC C919 certif. adds new OEM platform.

FY2026E EPS guidance raised to $6.65-$6.85 (mid $6.75) | Revenue guide $2,845M-$2,875M | Military aftermarket Q1: +28% YoY

Four Material Risks Require Active Monitoring — None Are Thesis-Breakers Individually

Integration Execution Risk

CR is simultaneously integrating Druck, Panametrics, Reuter-Stokes, and Optek (all closed Jan 2026). Four integrations at once is unusually complex. A misstep — cost overruns, talent attrition, ERP conflicts — could delay synergies by 12-24 months and pressure margins.

Mitigant: Early Q1 2026 data shows integrations tracking ahead of plan. New CEO Alex Alcala was the COO executing this playbook.

HIGH

PFT Order Book Weakness

Process Flow Technologies (54% of 2025 revenue) faces soft order trends in chemical and general industrial end markets. A prolonged industrial capex downturn — exacerbated by tariff uncertainty — could keep PFT growing below 5% through 2027, weighing on blended margins.

Mitigant: Cryogenics, pharma, and nuclear sub-segments partially offset chemical/industrial weakness.

MEDIUM-HIGH

Valuation Premium Compression

At 26.1× EV/EBITDA vs. 18.5× peer median, CR's multiple leaves no room for error. Any earnings miss, guidance cut, or macro deterioration could compress the multiple toward the peer median — implying 25-30% downside from current levels even with flat earnings.

Mitigant: FCF quality (40% aftermarket) and earnings consistency historically support premium multiples.

MEDIUM

Commercial Aero Cycle Risk

If Boeing fails to ramp production due to quality/labor issues, or an air travel demand shock resets airline capex, CR's commercial OE volumes decline and aftermarket growth slows. Approximately 35% of AAT revenue is tied to commercial platforms.

Mitigant: Military defense exposure (~65% AAT) provides a significant buffer. Aftermarket is more resilient than OE.

MEDIUM

FINAL RECOMMENDATION

Crane Company (CR)

Current Holdings:

Ticke	Quantity of Shar	Stock Price (Currer	Market Value (Current)	Costs Bas	Unrealized Gain/Los	% Gain/Lost	% of Sector Port.
CAT	14.00	$ 874.78	$ 12,246.92	$ 1,970.64	$ 10,276.28	521.47%	23%
LMT	10.53	$ 518.15	$ 5,457.16	$ 4,856.00	$ 601.16	12.38%	10%
OSK	46.16	$ 149.87	$ 6,917.91	$ 5,130.02	$ 1,787.89	34.85%	13%
ZIM	138.00	$ 26.07	$ 3,597.66	$ 2,208.00	$ 1,389.66	62.94%	6%
FIDU	237.00	$ 92.46	$ 21,913.02	$ 9,088.29	$ 12,824.73	141.11%	41%
XLB	78.00	$ 50.65	$ 3,950.70	$ 2,181.08	$ 1,769.62	81.14%	7%

Value of Sector Port. ≈ 54,000 $

(% of Sector Portfolio)

Buy

CR (21 shares) ≈ **$3,600 (7%)**

GDX (31 shares) ≈ **$2,700 (5%)**

XME (14 shares) ≈ **$1,650 (3%)**

GCAD (33 shares) ≈ **$1,650 (3%)**

Sell

OSK (24 shares) ≈ **$3,600 (7%)**

LMT (4 shares) ≈ **$2,100 (4%)**

FIDU (23 shares) ≈ **$2,100 (4%)**

XLB (33 shares) ≈ **$1,650 (3%)**

BUY

Bear Target: $126

Base DCF: $176

Price Target: $214

Bull Case: $232

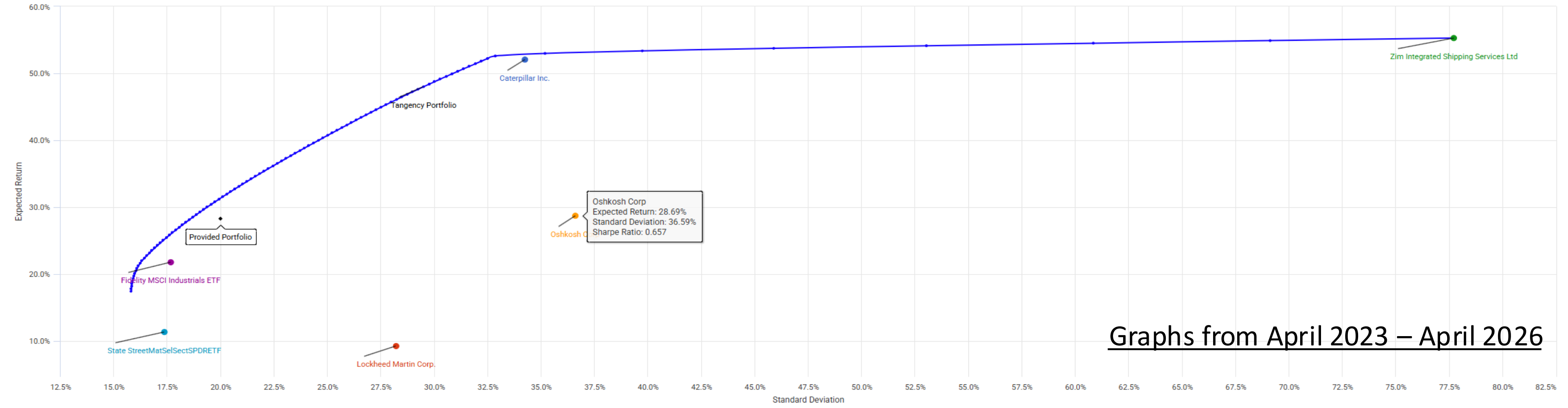
Updated allocation for proposed portfolio

#	Asset	Ticker	Allocation	Expected Return	Standard Deviation	Sharpe Ratio
1	Caterpillar Inc.	CAT	23.00%	52.05%	34.23%	1.385
2	Lockheed Martin Corp.	LMT	6.00%	9.21%	28.20%	0.162
3	Oshkosh Corp	OSK	6.00%	28.69%	36.59%	0.657
4	Zim Integrated Shipping Services Ltd	ZIM	6.00%	55.27%	77.70%	0.651
5	Fidelity MSCI Industrials ETF	FIDU	37.00%	21.75%	17.66%	0.968
6	State StreetMatSelSectSPDRETF	XLB	4.00%	11.31%	17.36%	0.384
7	VanEck Gold Miners ETF	GDX	5.00%	39.94%	35.01%	1.008
8	Crane Co	CR	7.00%	32.67%	27.34%	1.025
9	Stt StrtSPDRS&PMtls&MngETF	XME	3.00%	30.58%	27.10%	0.957
10	Gabelli Commercial Aerospace&Dfns ETF	GCAD	3.00%	26.34%	17.10%	1.268

Results based on historical returns. Expected return is the annualized monthly arithmetic mean return. Ex-ante Sharpe Ratio calculated using U.S. 3-Month Treasury Bill Rate returns as the risk-free rate.

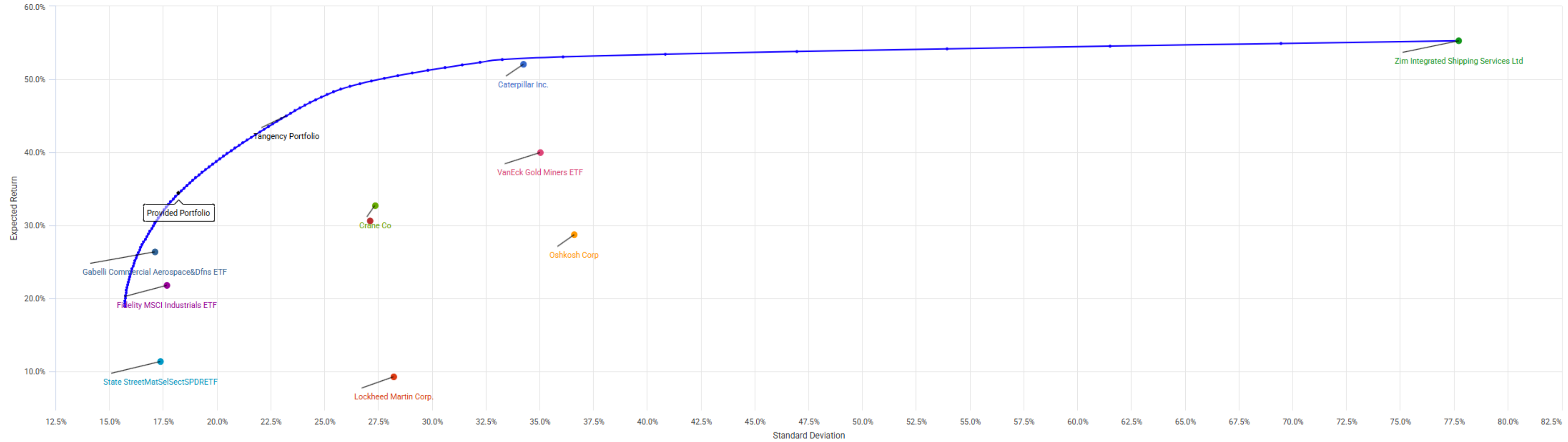
Current Portfolio:

Portfolio	Expected Return	Standard Deviation	Sharpe Ratio
Provided Portfolio	29.65%	20.43%	1.22
Max Sharpe Ratio Portfolio	48.00%	29.49%	1.47



Graphs from April 2023 – April 2026

Proposed Portfolio:



Portfolio	Expected Return	Standard Deviation	Sharpe Ratio
Provided Portfolio	32.05%	20.03%	1.37
Max Sharpe Ratio Portfolio	44.98%	23.21%	1.74